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## **Bangladesh**

## **Grain and Feed**

## **Annual**

## **2003**

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### **Report Highlights:**

**Bangladesh's combined rice and wheat production in 2003/04 is forecast to increase to 28.25 million tons, up 3 percent from 2002/03. Imports of rice and wheat in 2003/04 are forecast to rise to 1.95 million tons, up 3 percent over the previous year, with India remaining the largest supplier of both grains. Consumption of rice and wheat in 2003/04 is also forecast to increase 3 percent over 2002/03, to just over 30 million tons.**

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
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## SECTION I-SITUATION AND OUTLOOK

### RICE

#### Production

For 2002/03, rice production is estimated at 25.55 million tons, up 5.1 percent over 2001/02. The first rice crop, Aus (planted in March/April and harvested in June/May), has produced 1.84 million tons as compared to 1.81 million tons in 2001/02. Despite excessive rainfall and some localized flooding at the seedling stage, the second crop, Aman (planted in June/July and harvested in November/December), is estimated to produce 11.46 million tons against 10.73 million tons last year. The third crop, Boro (planted in December/January and harvested in April/May), is presently in the vegetative stage. This crop experienced a three-week long cold wave that may have retarded its growth. The shortage of quality seed by the national seed companies also hampered timely sowing. The Boro acreage is nonetheless expected to increase slightly by 2 percent, due to the favorable price of rice and the farmers' attempts to compensate for a likely lower yield. Assuming the present favorable weather continues, it is estimated that the Boro harvest will produce 12.25 million tons of rice. Area and production estimates of rice by season follow:

Crop	2000/01 (Official)		2001/02 (Estimate)		2002/03 (Estimate)	
	Area (tha)	Production (tmt)	Area (tha)	Production (tmt)	Area (tha)	Production (tmt)
Aus	1400	1915	1398	1810	1244	1840
Aman	5725	11247	5739	10730	5880	11460
Boro	3762	11923	3850	11770	3935	12250
Total Rice	10887	25085	10987	24310	11059	25550

Rice production in 2003/04 is forecast at 26.50 million tons on 11 million hectares, assuming normal weather conditions. The seasonal breakdowns are Aus 1.90 million tons, Aman 11.76 million tons, and Boro 12.84 million tons.

#### Consumption

Total consumption of rice (including food, seed, and feed use) is expected to increase to 26.09 million tons in 2002/03 compared to 24.36 million tons in 2001/02. The total availability and consumption declined in 2001/02 due to lower production and lower imports as compared to 2000/01. Per capita annual rice consumption is estimated at 191 kg in 2002/03, up from 184 kg in 2001/02.

In July 2002, the average price was Tk. 12.57/kg, about 13 percent higher than the 2001/02's

initial price. The larger Aman crop, augmented by very large private sector imports helped the market price to remain stable in the Tk. 13.50 - 14.50 range. High Letter of Credit (LC) margins, along with the regulatory duty, increased the importation cost of rice. The government's recent policy shift to distributing money instead of food grains and less public distribution through programs like Food For Works (vulnerable group feeding) have all contributed to the increasing rice price. It is likely that the market price of rice will remain at high levels, or may even further increase, until the next rice crop harvest in May/June.

2003/04 rice consumption is forecast to increase from 2002/02 levels to 26.80 million tons due to population growth, increased production, and sizable private imports.

## **Trade**

2002/03 rice imports are estimated at 604,000 tons, including 100,000 tons earmarked by the government for commercial imports. This 376 percent increase over the 127,000 tons imported in 2001/02 is mainly due to the smaller domestic production in 2001/02 and the higher domestic prices. The withdrawal of the supplementary duties (10%) and the recent reduction of LC margins to 25% from 100% should also contribute to the larger import estimate. As in the previous three years, the Government of Bangladesh (GOB) is likely to utilize its 100,000 ton allotment for rice imports only if it deems it necessary. The other components of the 2002/03 rice import estimates are 28,000 tons of food aid and 500,000 tons by the private sector. Private importers are importing rice from neighboring countries, principally from India, as it is the low-cost supplier. Rice imports from July-December 2002 are estimated at 378,484 tons, as compared to 53,630 tons during the same period in 2001.

The high domestic price is attracting a large quantity of rice coming into Bangladesh through illegal border trades, which may add between 50,000 and 100,000 tons of rice to the market. The overall increase in rice imports is unlikely to lift U.S. commercial rice exports to Bangladesh for various reasons: the time lag between the placement of an order and the actual delivery, relatively high U.S. prices, and most importantly, the continued availability of cheap rice from India.

2003/04 rice imports are forecast at 500,000 tons, considering moderately high ending stocks of rice.

## **Stocks**

2002/03 public sector ending stocks are estimated at 564,000 tons, taking into account the BOG's tentative import target of 100,000 tons and the public distribution of 548,000 tons. The BOG's rice procurement target in 2002/03 is set at 550,000 tons compared to last year's actual procurement of 725,936 tons. With lower production, and no government imports as the public distribution (648,000 tons) was less than procurement, 2001/02 saw public sector ending stocks of 500,000 tons.

## **Policy**

The GOB faces various issues while formulating its rice imports policy, including maintaining the country's foreign exchange reserves and stabilizing the domestic market price of rice. To arrest the increasing domestic rice price, the GOB issued a notification on February 9, 2003, reducing LC margins to 25%, eliminating the regulatory duty on imports of rice, and opening two additional land ports for entry of rice from India. Just last December, the GOB had imposed 100 percent LC margins and a 7.5 percent regulatory duty. The regulatory duty had been added to the normal tariff structure of rice import in Bangladesh, which presently is: customs duty of 22.5 percent, advance income tax of 3 percent, and a development surcharge of 3.5 percent. There is no quantitative restriction on rice imports into Bangladesh. In order to stop importers from bringing in excess rice over the quantity declared on their import documents, the GOB had previously restricted rice imports from India to two land ports (Benepole and Hili).

## **Marketing**

Bangladesh is normally a price buyer, generally purchasing lower quality (25% or more broken) parboiled rice. The vast majority of imports are sourced from India due to its freight advantage, shorter delivery times, easy land transportation by truck and rail, and overall low price. However, due to the growing purchasing power of the middle class population, the demand for medium quality rice is growing fast. A small niche market also exists for high quality rice (basmati or its equivalent) imported from India/Pakistan, as well as for the locally produced aromatic varieties.

## **WHEAT**

### **Production**

Wheat production in 2002/03 is estimated at 1.75 million tons, 9 percent higher than the 1.61 million tons produced in 2001/02, as there are good prospects of achieving a normal yield. Good weather conditions prevailed in the sowing season and continue to benefit the plants presently in the vegetative stage. Wheat acreage is expected to increase slightly to 778,000 hectares in 2002/03 from 750,000 hectares in 2001/02.

Wheat production in 2001/02 registered a 3.6 percent reduction compared to 2000/01, largely due to a reduction in area planted.

Significant commercial production of wheat in Bangladesh started in the early 1980's with a view to improving food security by adding a new winter harvest grain crop. However, wheat was never able to compete with rice as the main Bangladeshi food grain, as rice irrigation facilities expanded, more high-yield Boro rice varieties became available, and cheap rice imports continued to be available. However, farmers still consider wheat a profitable alternative to rice in non-irrigated lands at higher elevations.

The 2003/04 forecast of wheat production is 1.75 million tons, unchanged from the 2002/03 estimate.

## Consumption

Wheat consumption in 2002/03 is estimated at 3.15 million tons, about 4 percent below the 2001/02 level. After the loss of the 1998/99 rice crop due to devastating floods, wheat consumption reached a record 4 million tons (mainly food aid). While rice production has shown a fast recovery since then, wheat consumption has been decreasing, and slipped to 2.75 million tons in 2000/01. However, with the increase of imports, and due to the high price of rice, wheat consumption in 2001/02 recovered by 18.2 percent over the previous year.

2003/04 wheat consumption is forecast at 3.25 million tons, assuming the price ratio of wheat to rice stays constant, and considering the additional demand generated from population growth.

Wheat represents only 10-12 percent of the total Bangladeshi food grain consumption in a normal year. Because of its status as a complementary food in Bangladesh, wheat consumption goes up significantly whenever a rice crop fails. Increasing urbanization has resulted in increased demand for wheat-based food consumption, especially as the fast food sector and restaurants in Bangladesh have grown, presently generating a demand of 100,000 - 200,000 tons of wheat a year.

The average retail price of white fine flour is currently Tk. 16.00 (US\$ 0.27) per kg. The average retail price of Atta (coarse flour) is currently Tk. 13.35 (US\$ 0.23) per kg, as compared to Tk. 13.50 (US\$ 0.24) per kg last year.

## Trade

Wheat imports in 2002/03 are estimated at 1.3 million tons, which includes 372,000 tons of food aid, 828,000 tons of commercial imports by private traders, and tentatively 100,000 tons by the GOB. According to available reports, 396,891 tons of wheat have already been imported up to November 2002. Imports of wheat in 2001/02 jumped to 1.66 million tons (consisting of 502,000 tons of food aid and 1.16 million tons commercial), up 68 percent over 993,000 tons in 2000/01 (459,000 tons of food aid and 534,000 tons commercial). That import growth may be attributed to higher demand for wheat due to lower production of and higher price for rice, the availability of low cost imported wheat, especially the subsidized wheat from India, and restrictive regulatory measures applicable to rice imports in 2001/02. To date, the GOB has not imported any wheat in 2002/03.

Imports in 2003/04 are forecast at 1.45 million tons (400,000 tons of food aid and 1.15 million tons commercial, tentatively including 100,000 tons by the GOB).

## Factors Affecting US Trade

From the mid-1980's until the early 1990's, the United States was the dominant supplier of wheat to Bangladesh. With the suspension of the Export Enhancement Program (EEP), Bangladesh began to source from lower-cost suppliers. While some private millers continue to select US wheat to meet the top-end demand, most have switched to lower priced wheat from India and Australia. Changes in GOB contract terms in 1996, which called for performance

bonds and adjustments of payment based on arrival inspections, have exposed U.S. suppliers to greater risks, thereby increasing their prices. Consequently, Bangladesh has become a less attractive market for U.S. wheat.

The Indian wheat export subsidies have also made it more difficult to compete in Bangladesh's wheat market, especially for the United States.

### **Stocks**

Ending stocks for 2002/03 are estimated at 346,000 tons. This year's procurement target by the GOB is 200,000 tons, as compared to 372,000 ton last year. The private sector's wheat stocks are estimated at around 200,000 tons.

### **Policy**

Wheat imports are subject to a 7.5 percent customs duty and a 2.5 percent infrastructure development fee. On February 9, 2003, the Government reduced LC margins to 25% and withdrew the regulatory duty on wheat imports to arrest the very recent increasing trend of wheat price. Prior to these measures being withdrawn, in December 2002 the GOB adopted 100 percent LC margins and a 7.5% percent regulatory duty on imports of wheat. There is no quantitative restriction of wheat imports in Bangladesh.

### **Marketing**

US Wheat Associates has been successful in enhancing technical appreciation for the quality of US wheat and in establishing some degree of product loyalty. Efforts to address the issues of acceptable contract terms and pricing should be continued. Almost every year, two thirds of Bangladeshi flour millers attend the Flour Milling Short Course offered by the US Wheat Associates. The primary constraint for U.S. wheat in Bangladesh is price, as India continues to be the lowest-cost supplier.

**SECTION II-STATISTICAL TABLES**

Table 1: Commodity, Rice Milled, PSD Table

PSD Table							
Country:	Bangladesh						
Commodity:	Rice, Milled						
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		07/2001		07/2002		07/2003	(MONTH/YEAR)
Area Harvested	10,987	10,987	10,900	11,059	0	11,100	(1000 Hectares)
Beginning Stocks	420	420	489	500	0	564	(1000 MT)
Milled Production	25,640	24,310	26,000	25,550	0	26,500	(1000 MT)
Rough Production	38,464	36,469	39,004	38,329	0	39,754	(1000 MT)
Milling Rate(.9999)	6,666	6,666	6,666	6,666	0	6,666	(1000 MT)
TOTAL Imports	456	127	450	604	0	500	(1000 MT)
Jan-Dec Imports	392	352	400	480	0	450	(1000 MT)
Jan-Dec Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	26,516	24,857	26,939	26,654	0	27,564	(1000 MT)
TOTAL Exports	0	0	0	0	0	0	(1000 MT)
Jan-Dec Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	26,027	24,357	26,500	26,090	0	26,800	(1000 MT)
Ending Stocks	489	500	439	564	0	764	(1000 MT)
TOTAL DISTRIBUTION	26,516	24,857	26,939	26,654	0	27,564	(1000 MT)



Table 2: Commodity, Rice Milled, Import Trade Matrix

Import Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:			
Imports for	2001		2002
U.S.		U.S.	
Others		Others	
India	267000	India	346000
Pakistan	28000	Pakistan	42000
Thailand	24000	Thailand	28000
Vietnam	15000	Vietnam	33000
Myanmar	8000	Myanmar	15000
Total for Others	342000		464000
Others not listed	10000		16000
Grand Total	352000		480000

Table 3: Commodity, Rice Milled, Price Table

Prices Table			
Country:			
Commodity:			
Year:	2002		
Prices in (currency)	Taka	per (uom)	metric ton
Year	2001	2002	% Change
Jan	11490	12280	6.9%
Feb	11540	12660	9.7%
Mar	11990	12700	5.9%
Apr	12120	12880	6.3%
May	11610	12050	3.8%
Jun	11260	12120	7.6%
Jul	11090	12570	13.3%
Aug	11210	13220	17.9%
Sep	11420	13110	14.8%
Oct	11980	13280	10.9%
Nov	11930	13250	11.1%
Dec	11920	13220	10.9%
Exchange Rate	58	(Local currency/U S \$)	
Date of Quote	10-Feb-03	(MM/DD/ YY)	

Table 4: Commodity, Wheat, PSD Table

PSD Table							
Country:	Bangladesh						
Commodity:	Wheat						
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		07/2001		07/2002		07/2003	(MONTH/YEAR)
Area Harvested	750	750	800	778	0	800	(1000 Hectares)
Beginning Stocks	445	444	428	445	0	346	(1000 MT)
Production	1750	1610	1850	1750	0	1750	(1000 MT)
TOTAL Mkt. Yr. Imports	1414	1664	1350	1300	0	1450	(1000 MT)
Jul-Jun Imports	1414	1664	1350	1300	0	1450	(1000 MT)
Jul-Jun Import U.S.	208	208	250	194	0	150	(1000 MT)
TOTAL SUPPLY	3609	3718	3628	3495	0	3546	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Jul-Jun Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	3181	3273	3200	3149	0	3250	(1000 MT)
Ending Stocks	428	445	428	346	0	296	(1000 MT)
TOTAL DISTRIBUTION	3609	3718	3628	3495	0	3546	(1000 MT)

Table 5: Commodity, Wheat, Import Trade Matrix

Import Trade Matrix			
Country:		Units:	Metric tons
Commodity:			
Time period:	Jul/Jun		
Imports for	2001		2002
Concessional		Concessional	
USA	208,200	USA	184,320
WFP	169,002	WFP	90,000
Australia	49,500	Australia	49,500
Canada	74,833	Canada	31,984
EU	30,000	EU	30,000
Commercial 1/		Commercial 1/	
India	1,010,663	India	825,000
Canada	26,000	Canada	20,000
Australia	38,000	Australia	24,000
Argentina	24,000	Argentina	20,000
Total for Others	1,630,198		1,274,804
Others not listed	34,000		25,000
Grand Total	1,664,198		1,299,804

Table 6: Commodity, Wheat, Prices Table

Prices Table			
Country:			
Commodity:			
Year:	2002		
Prices in (currency)	Taka	per (uom)	metric ton
Year	2001	2002	% Change
Jan	8310	8540	2.8%
Feb	8350	8500	1.8%
Mar	8380	8380	0.0%
Apr	8230	8350	1.5%
May	8220	8320	1.2%
Jun	8310	8270	-0.5%
Jul	8350	8360	0.1%
Aug	8410	8440	0.4%
Sep	8480	8430	-0.6%
Oct	8550	8440	-1.3%
Nov	8520	8520	0.0%
Dec	8490	8510	0.2%
Exchange Rate	58	(Local currency/U S \$)	
Date of Quote	10-Feb-03	(MM/DD/ YY)	